

EXECUTIVE SUMMARY

The current Idaho economic forecast is best described as a tweaked version of this July's forecast. That is, although some of the details are different, the general growth pattern is the same. Specifically, this summer it was predicted the Gem State would enjoy strong growth this year, thanks to a surge in the first half, and then expand more slowly. Another feature of the previous forecast was, despite the anticipated slowing, Idaho's economy would advance faster than the national economy. Little has changed since this summer, so the previous forecast summary aptly describes Idaho's current economic outlook. According to the most current estimates based on Idaho Department of Commerce and Labor information, the state's nonfarm employment surged at a 7.4% annual rate in the first quarter of 2006 and by 2.8% in the following quarter. The growth in a couple of sectors is noteworthy. Construction employment increased an astronomical 34.2% in the first quarter and by 9.1% in the second quarter of this year. The state's huge services sector also produced robust job gains of 5.2% in the first quarter and 3.3% in the second quarter. Idaho nominal personal income growth echoed the state's employment growth during this year's first half, growing 12.6% in the first quarter and 6.9% in the second quarter. The cooling national economy will cause both Idaho nonfarm employment and personal income growth to slow from their previous pace. Idaho nonfarm employment growth is expected to slip under 3.0% in this year's remaining two quarters. Despite this slowing, Idaho nonfarm employment is expected to be 4.3% higher in 2006 than it was in 2005, which is its best showing in a dozen years. Idaho nominal personal income growth should downshift to under 7.0% in the second half of 2006. However, on annual basis, it will be 8.3% higher than in 2005. Both Idaho employment and personal income growth will drop beneath their 2006 banner showings. However, both are expected to continue to out pace their respective national counterparts. First, Idaho nonfarm employment should increase an average of 2.5% annually from 2006 to 2009. Over this same period U.S. nonfarm employment is predicted to rise 1.4% per year. Second, nominal Idaho personal income is forecast to advance an average of 6.8% per year, while national personal income averages 5.7% growth. After adjusting for inflation, Idaho personal income increases 4.8% annually. National real personal income rises at an average 3.7% pace from 2006 to 2009.

The nation's economy is expected to slow from a gallop to a trot over the next few quarters. Two factors play major roles in this transition: the housing sector and energy prices. The cooling housing sector will take a toll on U.S. output. For example, the U.S. housing downturn chops 1.3 percentage points off of GDP in this year's third and fourth quarters, through its direct effect on construction. However, the negative impacts from housing will be dampened by falling energy prices. Fears of major supply disruptions have all but disappeared, which have sharply reduced the risk premium in the oil market. Falling crude oil prices and plentiful supply have trimmed gasoline pump prices to their lowest level in over six months. Natural gas prices have also eased, thanks to plentiful supplies. These declines are akin to tax cuts for consumers. For example, it has been estimated the recent drop in gasoline prices have saved Americans \$84 billion, or 0.9% of disposable income. With oil prices falling and inflation beginning to ease, the pressure on almost all central banks will diminish. In this forecast, it is assumed the Federal Reserve has finished raising interest rates. The bottom line is the U.S. economy is entering an extended period of below-trend growth (seven successive quarters of less than 3% growth). Although growth will slow, a recession is unlikely. After successfully negotiating a soft landing, the U.S. economy will once again grow above 3.0% annually in 2008.

**IDAHO ECONOMIC FORECAST
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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP (BILLIONS)												
Current \$	8,747	9,268	9,817	10,128	10,470	10,961	11,712	12,456	13,242	13,851	14,587	15,366
% Ch	5.3%	6.0%	5.9%	3.2%	3.4%	4.7%	6.9%	6.3%	6.3%	4.6%	5.3%	5.3%
2000 Chain-Weighted	9,067	9,470	9,817	9,891	10,049	10,301	10,704	11,049	11,412	11,681	12,066	12,468
% Ch	4.2%	4.4%	3.7%	0.8%	1.6%	2.5%	3.9%	3.2%	3.3%	2.4%	3.3%	3.3%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	27,287	29,068	31,290	33,054	33,849	34,687	38,090	40,584	43,949	46,995	50,053	53,592
% Ch	7.6%	6.5%	7.6%	5.6%	2.4%	2.5%	9.8%	6.5%	8.3%	6.9%	6.5%	7.1%
Idaho Nonfarm (Millions)	26,350	28,054	30,448	32,039	32,921	33,969	36,942	39,589	42,944	45,925	48,967	52,492
% Ch	7.1%	6.5%	8.5%	5.2%	2.8%	3.2%	8.8%	7.2%	8.5%	6.9%	6.6%	7.2%
U.S. (Billions)	7,423	7,802	8,430	8,724	8,882	9,164	9,731	10,239	10,966	11,547	12,197	12,934
% Ch	7.3%	5.1%	8.0%	3.5%	1.8%	3.2%	6.2%	5.2%	7.1%	5.3%	5.6%	6.0%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	28,429	29,788	31,289	32,376	32,690	32,847	35,143	36,397	38,359	40,248	42,044	44,208
% Ch	6.6%	4.8%	5.0%	3.5%	1.0%	0.5%	7.0%	3.6%	5.4%	4.9%	4.5%	5.1%
Idaho Nonfarm (Millions)	27,452	28,748	30,447	31,382	31,795	32,167	34,083	35,504	37,482	39,331	41,131	43,300
% Ch	6.1%	4.7%	5.9%	3.1%	1.3%	1.2%	6.0%	4.2%	5.6%	4.9%	4.6%	5.3%
U.S. (Billions)	7,734	7,996	8,429	8,545	8,578	8,678	8,979	9,183	9,571	9,890	10,245	10,670
% Ch	6.4%	3.4%	5.4%	1.4%	0.4%	1.2%	3.5%	2.3%	4.2%	3.3%	3.6%	4.1%
HOUSING STARTS												
Idaho	10,105	10,334	11,468	12,182	13,196	16,298	18,482	23,161	21,818	21,200	20,735	20,629
% Ch	14.0%	2.3%	11.0%	6.2%	8.3%	23.5%	13.4%	25.3%	-5.8%	-2.8%	-2.2%	-0.5%
U.S. (Millions)	1.621	1.647	1.573	1.601	1.710	1.854	1.950	2.073	1.828	1.594	1.669	1.704
% Ch	9.9%	1.6%	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-11.8%	-12.8%	4.7%	2.1%
TOTAL NONFARM EMPLOYMENT												
Idaho	520,477	538,099	558,579	568,030	568,038	572,529	588,040	611,693	637,854	654,594	670,316	687,511
% Ch	2.6%	3.4%	3.8%	1.7%	0.0%	0.8%	2.7%	4.0%	4.3%	2.6%	2.4%	2.6%
U.S. (Thousands)	125,924	128,992	131,792	131,832	130,342	129,993	131,424	133,459	135,300	136,729	138,700	140,856
% Ch	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.5%	1.4%	1.1%	1.4%	1.6%
SELECTED INTEREST RATES												
Federal Funds	5.4%	5.0%	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	4.8%	4.5%	4.7%
Bank Prime	8.4%	8.0%	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	7.8%	7.5%	7.7%
Existing Home Mortgage	7.1%	7.3%	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.5%	6.7%	7.0%
INFLATION												
GDP Price Deflator	1.1%	1.4%	2.2%	2.4%	1.7%	2.1%	2.8%	3.0%	2.9%	2.2%	2.0%	1.9%
Personal Cons Deflator	0.9%	1.7%	2.5%	2.1%	1.4%	2.0%	2.6%	2.9%	2.8%	1.9%	2.0%	1.8%
Consumer Price Index	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.3%	2.2%	2.0%	1.8%

**National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2006**

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	2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	13,008	13,197	13,317	13,447	13,622	13,775	13,926	14,081	14,282	14,487	14,694	14,885
% Ch	9.0%	5.9%	3.7%	4.0%	5.3%	4.6%	4.5%	4.5%	5.8%	5.9%	5.9%	5.3%
2000 Chain-Weighted	11,316	11,388	11,435	11,509	11,574	11,641	11,716	11,793	11,899	12,011	12,126	12,230
% Ch	5.6%	2.6%	1.7%	2.6%	2.3%	2.4%	2.6%	2.7%	3.6%	3.8%	3.9%	3.5%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	42,861	43,587	44,322	45,026	45,864	46,654	47,381	48,082	48,838	49,677	50,448	51,251
% Ch	12.6%	6.9%	6.9%	6.5%	7.7%	7.1%	6.4%	6.1%	6.4%	7.1%	6.4%	6.5%
Idaho Nonfarm (Millions)	41,893	42,671	43,272	43,940	44,792	45,574	46,290	47,043	47,774	48,577	49,340	50,176
% Ch	12.6%	7.6%	5.8%	6.3%	8.0%	7.2%	6.4%	6.7%	6.4%	6.9%	6.4%	7.0%
U.S. (Billions)	10,721	10,901	11,058	11,185	11,343	11,479	11,613	11,754	11,923	12,108	12,288	12,470
% Ch	9.4%	6.9%	5.9%	4.7%	5.8%	4.9%	4.8%	4.9%	5.9%	6.3%	6.1%	6.1%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	37,781	38,043	38,471	39,140	39,586	40,063	40,469	40,872	41,304	41,823	42,279	42,769
% Ch	10.3%	2.8%	4.6%	7.1%	4.6%	4.9%	4.1%	4.0%	4.3%	5.1%	4.4%	4.7%
Idaho Nonfarm (Millions)	36,928	37,244	37,559	38,196	38,661	39,136	39,538	39,988	40,404	40,898	41,351	41,872
% Ch	10.4%	3.5%	3.4%	7.0%	5.0%	5.0%	4.2%	4.6%	4.2%	5.0%	4.5%	5.1%
U.S. (Billions)	9,451	9,514	9,598	9,723	9,790	9,857	9,919	9,991	10,084	10,194	10,298	10,406
% Ch	7.2%	2.7%	3.6%	5.3%	2.8%	2.8%	2.5%	2.9%	3.8%	4.4%	4.2%	4.3%
HOUSING STARTS												
Idaho	23,068	21,515	21,225	21,466	21,312	21,350	21,159	20,981	20,916	20,746	20,664	20,614
% Ch	17.0%	-24.3%	-5.3%	4.6%	-2.8%	0.7%	-3.5%	-3.3%	-1.2%	-3.2%	-1.6%	-1.0%
U.S. (Millions)	2.123	1.873	1.697	1.621	1.604	1.579	1.574	1.620	1.637	1.663	1.685	1.691
% Ch	12.9%	-39.5%	-32.5%	-16.7%	-4.3%	-5.9%	-1.4%	12.4%	4.2%	6.4%	5.3%	1.5%
TOTAL NONFARM EMPLOYMENT												
Idaho	631,807	636,219	639,735	643,655	648,128	652,570	656,735	660,945	664,617	668,391	672,155	676,101
% Ch	7.4%	2.8%	2.2%	2.5%	2.8%	2.8%	2.6%	2.6%	2.2%	2.3%	2.3%	2.4%
U.S. (Thousands)	134,722	135,128	135,501	135,848	136,162	136,529	136,893	137,331	137,814	138,379	139,005	139,603
% Ch	1.7%	1.2%	1.1%	1.0%	0.9%	1.1%	1.1%	1.3%	1.4%	1.6%	1.8%	1.7%
SELECTED INTEREST RATES												
Federal Funds	4.5%	4.9%	5.2%	5.3%	5.2%	5.0%	4.6%	4.5%	4.5%	4.5%	4.5%	4.5%
Bank Prime	7.4%	7.9%	8.3%	8.3%	8.2%	8.0%	7.6%	7.5%	7.5%	7.5%	7.5%	7.5%
Existing Home Mortgage	6.4%	6.6%	6.8%	6.6%	6.6%	6.4%	6.4%	6.4%	6.5%	6.6%	6.7%	6.8%
INFLATION												
GDP Price Deflator	3.3%	3.3%	1.9%	1.3%	2.9%	2.2%	1.8%	1.8%	2.1%	2.0%	1.9%	1.8%
Personal Cons Deflator	2.0%	4.0%	2.2%	-0.6%	2.9%	2.1%	2.2%	1.9%	2.0%	1.8%	1.8%	1.7%
Consumer Price Index	2.2%	5.0%	2.8%	-1.3%	3.7%	2.3%	2.4%	2.1%	2.1%	1.7%	1.8%	1.7%

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